

May 12, 2010

ITEM NO. B6

**REQUEST FOR
AUTHORIZATION TO ISSUE CHICAGO HOUSING AUTHORITY
MULTI-FAMILY HOUSING REVENUE NOTES, SERIES 2010A AND SERIES 2010B
(POMEROY APARTMENTS); SUBMIT A MIXED FINANCE PROPOSAL,
EVIDENTIARIES AND DISPOSITION APPLICATION TO THE U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT (“HUD”); LOAN GENERAL AND OTHER
FUNDS, EXECUTE A GROUND LEASE, SELL THE PROJECT BUILDING AND
FINANCE THE SALE THROUGH SELLER FINANCING TO POMEROY SENIOR
HOUSING LIMITED PARTNERSHIP; AND EXECUTE AND DELIVER SUCH
DOCUMENTS AND PERFORM SUCH ACTIONS AS MAY BE NECESSARY OR
APPROPRIATE TO IMPLEMENT THE FOREGOING**

To the Honorable Board of Commissioners

RECOMMENDATION

It is recommended that the Board of Commissioners of the Chicago Housing Authority (“CHA”) approve the attached Resolution authorizing the Chief Executive Officer or his designee to (1) Execute and deliver the Notes, all Note related agreements, and such other documentation as is contemplated by the foregoing and as authorized in the attached Resolution in order to issue and sell not more than \$23,000,000 aggregate principal amount of Chicago Housing Authority Multi-Family Housing Revenue Notes (Pomeroy Apartments), Series 2010A and Series 2010B, (2) Submit a Mixed Finance Proposal with Evidentiaries and Disposition Application to the U.S. Department of Housing and Urban Development (“HUD”); (3) Loan General and Other Funds; (4) Execute a Ground Lease of the project site with Pomeroy Senior Housing Limited Partnership; and (5) Sell the project building and finance the sale through seller financing to Pomeroy Senior Housing Limited Partnership. It is further recommended that the Chief Executive Officer or his designee be authorized to execute all closing documents in connection with the Pomeroy Apartments renovation project. All initially capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Resolution.

FUNDING
Not Applicable

Compliance requirements will be met in accordance with commitments made under two separate Board Resolutions for Pomeroy Apartments. See Board Resolutions for Selection of the General Contractor and for Selection of the Owner’s Representative for Pomeroy Apartments.

INFORMATION RELATING TO THE NOTE ISSUE

Maximum Principal Amount:	\$23,000,000
Interest:	<p>The Series 2010A Notes will bear interest at 30 day LIBOR plus 95 basis points, with the aggregate interest rate not to exceed a maximum rate established in the Resolution</p> <p>The Series 2010B Notes will bear interest at 30 day LIBOR plus 200 basis points, with the aggregate interest rate not to exceed a maximum rate established in the Resolution.</p>
Note Purchaser:	Bank of America, N.A. (or affiliated entity)
Maturity Date:	<p>Series 2010A Notes- not to exceed twenty-four (24) months (subject to one six (6) month extension)</p> <p>Series 2010B Notes- not to exceed twenty-four (24) months (subject to one six (6) month extension)</p>
Purpose:	To finance the rehabilitation of 104 units of public housing and one manager's unit for residents of Pomeroy Apartments located at 5650 N. Kenmore Avenue, Chicago, IL
Primary Security for Notes:	<p>Series 2010A—CHA Capital Funds Proceeds funded primarily by the Capital Fund Recovery Competitive Grant (IL00205800009G); Series 2010A Note proceeds; any other security as may be required by Note Purchaser.</p> <p>Series 2010B— First Mortgage; Equity contributions received from Borrower's limited partner; and any other security as may be required by Note Purchaser</p>
Borrower(s)	Pomeroy Senior Housing Limited Partnership
Fiscal Agent:	Bank of America, N.A., (or affiliated entity)
Note Issuer's Counsel and Note Counsel:	Greenberg Traurig, LLP and Albert, Whitehead, P.C.

The Pomeroy Apartments Project, built in 1923, ("Pomeroy Apartments") is a mixed-finance renovation of a nine story building located in the Edgewater Community at 5650 N. Kenmore Avenue, Chicago, Illinois. This senior-designated apartment building currently contains one hundred-

twenty (120) units; the proposed unit mix includes 104 one bedroom public housing units, and a manager's unit. To facilitate the financing of the renovation of Pomeroy Apartments, a multi-tiered financing approach will be utilized. The CHA will transfer the Pomeroy Apartments property to a tax-credit limited partnership known as Pomeroy Senior Housing Limited Partnership, an Illinois limited partnership (the "Owner"). The General Partner of the Owner is an Illinois limited liability company known as Pomeroy Housing Development, LLC (the "General Partner"). The sole member of the General Partner is the CHA. The General Partner is also the developer of the Project and will manage the day to day affairs of the Owner. Pomeroy Apartments will provide 104 units of public housing plus one manager's unit. The CHA will lease the land underlying the building to the Owner pursuant to a 99-year ground lease. The CHA will sell the building to the Owner and will finance the sale of the building through seller financing. Pursuant to a Regulatory and Operating Agreement between CHA and the Owner, the CHA will provide operating subsidy to pay the reasonable expenses of operating the units.

One hundred-four (104) units will be ACC units and will be subject to low-income housing tax credit restrictions. Additionally, the 104 units will be reserved for households earning no more than 60% of AMI.

The direct costs for the renovation of the 104 rental units of the Pomeroy Apartments development total an estimated \$36,471,120 and are expected to be funded by the following approximate sources of permanent financing:

- 1) **\$18,746,538 CHA funds:** CHA will loan capital and other funds, primarily from the Capital Fund Recovery Competitive Grant (IL00205800009G) in the approximate amount of \$18,746,538 to be secured by a first mortgage on the property. The loan term will be approximately 42 years (inclusive of the construction period) and will bear no interest with the loan amount due at maturity.
- 2) **\$11,841,611 Tax Credit Equity:** Red Stone Equity Partners will provide tax credit equity in the approximate amount of \$11,841,611. Equity will be generated by the syndication of a combination of Low Income Housing Tax Credits (LIHTC) and Federal Renewable Energy Credits in the approximate amounts of \$1,499,088 for LIHTC and \$110,000 for Federal Renewable Energy Credits.
- 3) **\$5,500,000 CHA Seller Financing:** CHA will provide a Seller Financing Note in the approximate amount of \$5,500,000 for the sale of the building of the Project to the Owner, Pomeroy Senior Housing Limited Partnership. The amount of this Seller Note will be determined by an independent third party appraisal. The loan term will be approximately 42 years (inclusive of the construction period) and will bear interest at the applicable federal rate in effect at the time of closing.
- 4) **\$102,011 CHA Interest Earnings:** Approximately \$102,011 in CHA Interest Earnings is projected to be available for the development.
- 5) **\$280,860 Deferred Seller Financing Construction Period Interest:** Approximately \$280,860 in Deferred Seller Financing Construction Period Interest is projected to be available for the development.
- 6) **\$100 GP Capital Contribution**

The Notes will be issued in two series pursuant to a Note Issuance Agreement and the proceeds thereof will be loaned to the Owner, also known as the "Borrower", pursuant to a Loan Agreement. Bank of America, N.A. or an affiliated entity will purchase the Series 2010A and 2010B Notes in

principal amounts of approximately \$11,775,630 and \$7,949,217, respectively. The Authority will provide permanent financing through its loan of capital or other funds sufficient to retire the Series 2010A Notes (in return for the agreement of the Borrower to rent 104 units at the site to public housing eligible tenants plus one manager's unit). The Notes are not a debt of any city, village, incorporated town or county, or the State of Illinois or any political subdivision thereof, other than the Authority. The Notes are special limited obligations of the Authority payable solely from the specific sources specified in the Note Issuance Agreement.

RESOLUTION NO. 2010-CHA-66

- WHEREAS, the Chicago Housing Authority, a municipal corporation and a body politic and corporate duly organized and validly existing under and by virtue of the laws of the State of Illinois (the “Authority”), including without limitation the Housing Authorities Act, 310 ILCS 10/1 et seq., and all laws amendatory and supplemental thereto, including in particular the Local Government Debt Reform Act, 30 ILCS 350/1 et seq. (the “Act”), is authorized by the laws of the State of Illinois (the “State”), including without limitation in the Act, to issue its revenue Bonds and Notes for the purposes set forth in the Act and to permit the expenditure of the proceeds thereof to finance the cost of the development, construction and renovation of multifamily rental housing located in the jurisdiction of the Authority; and
- WHEREAS, Pomeroy Senior Housing Limited Partnership, an Illinois limited partnership (the “Borrower”), proposes to rehabilitate the “Pomeroy Apartments” Project consisting of the renovation of 104 rental units of public housing and one manager’s unit in Chicago, Illinois (the “Project”); and
- WHEREAS, a portion of the costs of the Project will be financed through the issuance by the Authority of its Multi-Family Housing Revenue Note, Series 2010A (Pomeroy Apartments Project) (the “Series 2010A Note”) and its Multi-Family Housing Revenue Note, Series 2010B (Pomeroy Apartments Project) (the “Series 2010B Note”) (collectively, the “Notes”); and
- WHEREAS, the proceeds of the Notes will be loaned to Borrower; and
- WHEREAS, the General Partner of Borrower is Pomeroy Housing Development, LLC, an Illinois limited liability company (the “General Partner”); and
- WHEREAS, the sole member of the General Partner is the Authority; and
- WHEREAS, a determination has been made by the Authority that the Project constitutes “multifamily rental housing” within the meaning of the Act and that the financing thereof will meet the public purposes of the Act; and
- WHEREAS, pursuant to and in accordance with the provisions of the Act, the Authority is now prepared to proceed with the financing of a portion of the costs of the Project through the issuance and sale of the Notes pursuant to a Note Issuance Agreement (the “Note Issuance Agreement”) among the Authority, Bank of America, N.A., or an affiliated entity, as the purchaser of the Notes (the “Note Purchaser”) and Bank of America, N.A., or an affiliated entity, as fiscal agent (the “Fiscal Agent”); and
- WHEREAS, the proceeds of the Notes will be loaned by the Authority to the Borrower pursuant to a Loan Agreement between the Authority and the Borrower (the

“Loan Agreement”) and the obligations of the Borrower to pay debt service under the Loan Agreement will be evidenced by a Note with respect to the Series 2010A Note debt service (the “Series 2010A Borrower Note”) from the Borrower to the Authority, and a Note with respect to the Series 2010B Note debt service (the “Series 2010B Borrower Note” and, together with the Series 2010A Borrower Note, the “Borrower Notes”) from the Borrower to the Authority, each of which will be assigned by the Authority to the Fiscal Agent as security for the Notes; and

WHEREAS, certain income and other rental restrictions required by Sections 42 and 142(d) of the Internal Revenue Code of 1986, as amended (the “Code”) related to the Project will be specified in one or more Regulatory Agreements, Declarations of Restrictive Covenants and a Land Use Restriction Agreement (each, collectively, the “Regulatory Agreement”) and

WHEREAS, certain arbitrage requirements of Section 148 and related provisions of the Code will be specified in one or more Arbitrage and Tax Certificates (the “Arbitrage Certificates”) of the Authority and the Borrower; and

WHEREAS, both series of Notes will be sold by private placement to the Note Purchaser pursuant to the Note Issuance Agreement; and

WHEREAS, the Borrower’s obligations under the Borrower Notes will be secured by one or more mortgages, security agreements and/or collateral assignments with respect to the Project (the “Collateral Documents”) from the Borrower to the Authority or the Fiscal Agent and, if to the Authority, the rights of the Authority to such instruments and, as applicable, the Borrower Notes may be assigned by the Authority to the Fiscal Agent pursuant to an assignment (an “Assignment”); and

WHEREAS, the Authority will lease the site of the Project to the Borrower pursuant to a 99-year ground lease (the “Ground Lease”);

WHEREAS, the Authority will sell the building of the Project to the Borrower and will finance the sale of the building through seller financing for the approximate price of \$5,500,000, amount to be determined by an independent third party appraisal.

WHEREAS, the Series 2010A Note will be secured by and payable from certain Capital Funds (“Capital Funds”) received by the Authority and deposited into escrow pursuant to a Pledge Agreement (the “Pledge Agreement”) among the Authority, the Borrower and the Fiscal Agent, as Escrow Agent, and such Capital Funds, upon withdrawal from such escrow, will constitute a loan from the Authority to the Borrower pursuant to a loan agreement (the “Capital Funds Loan Agreement”) with the Borrower; and

- WHEREAS, the Borrower will be required to operate 104 housing units within the Project for the use and occupancy of public housing eligible individuals plus one manager's unit and, in connection therewith, the Borrower will enter into a Regulatory and Operating agreement with the Authority, a Declaration of Restrictive Covenants with the Authority and HUD, and a mortgage and other collateral documents and related agreements and instruments (collectively, and together with the Capital Funds Loan Agreement, the "Capital Funds Borrower Agreements"); and
- WHEREAS, other funding for costs of the Project will be provided pursuant to equity contributions and other sources; and
- WHEREAS, the proceeds of the Notes and the other funding sources may be disbursed pursuant to a disbursement or construction agreement (the "Disbursement Agreement"); and
- WHEREAS, all or a portion of the expenditures relating to the Project (the "Expenditures") (i) have been paid within the sixty days prior to the passage of this Resolution or (ii) will be paid on or after the passage of this Resolution; and
- WHEREAS, the Authority reasonably expects (based upon information supplied by the Borrower, upon which it is reasonable and prudent for the Authority to rely) to reimburse the Borrower for the Expenditures with proceeds of the Notes; and
- WHEREAS, the City Council of the City of Chicago (the "City") has approved (or is expected to approve) the transfer to the Authority of a portion of the City's available unused volume cap for calendar years 2010 and /or subsequent years pursuant to Section 146 of the Code for use by the Authority in connection with the issuance of the Notes, and the City and the Authority may enter into a volume cap transfer agreement (the "Cap Transfer Agreement") to reflect such transfer; and
- WHEREAS, the Authority will enter into a Mixed-Finance Amendment to the Annual Contributions Contract with HUD; and
- WHEREAS, the Note Issuance Agreement, the Loan Agreement, the Notes, the Borrower Notes, the Regulatory Agreement, the Arbitrage Certificates, the Assignment, the Pledge Agreement, the Disbursement Agreement, the Ground Lease, the Collateral Documents, the Cap Transfer Agreement and the Capital Funds Borrower Agreements are referred to collectively herein as the "Authority Agreements."

THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY:

THAT, Section 1. The Authority is authorized to submit a Mixed Finance

Proposal and amended Disposition Application to HUD in connection with the Pomeroy Apartments project, to sell the building of the Project and to finance the sale price through seller financing; and to enter into the Authority Agreements with the other party or parties thereto in substantially the same forms now before the Authority. The forms, terms and provisions of the Authority Agreements be, and they hereby are, in all respects approved. The Chairman, the Chief Executive Officer or his designee, or the Chief Financial Officer of the Authority be, and each of them hereby is, authorized, empowered and directed to execute and deliver, and, where necessary, the Chief Executive Officer or his designee, or the Custodian and Keeper of Records/Secretary, Board of Commissioners be and each of them hereby is, authorized, empowered and directed to attest and to affix the official seal of the Authority to, the Authority Agreements in the name, for and on behalf of the Authority, and thereupon to cause the Authority Agreements to be executed, acknowledged and delivered to the other party or parties thereto, in substantially the forms now before the Authority or with such changes therein as the individual executing the Authority Agreements on behalf of the Authority shall approve, his or her execution thereof to constitute conclusive evidence of such approval of any and all changes or revisions therein from the forms of Authority Agreements now before the Authority. When the Authority Agreements are executed, attested, sealed and delivered on behalf of the Authority as hereinabove provided, they shall be binding on the Authority. From and after the execution and delivery of the Authority Agreements, the officers, employees and agents of the Authority are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Authority Agreements as executed. The Authority Agreements shall constitute, and hereby are made, a part of this Resolution, and copies of the executed Authority Agreements shall be placed in the official records of the Authority, and shall be available for public inspection at the office of the Authority.

Section 2. The Notes shall be issued in fully registered form, in an aggregate principal amount not to exceed \$23,000,000, in authorized denominations as provided in the Note Issuance Agreement. The Notes shall bear interest at a variable rate of interest as shall be set forth in the Note Issuance Agreement, as executed, in no event to exceed the maximum rate set forth in the Note Issuance Agreement. The Notes shall mature on such date or dates as shall be set forth in the Note Issuance Agreement, as executed, but in no event later than 4 years following the date of their initial issuance and delivery to the initial purchasers thereof. The Notes shall be subject to redemption prior to maturity as provided in the Note Issuance Agreement, as executed.

Section 3. The Notes and the interest thereon will be special, limited obligations of the Authority, payable solely from the payments to be made by

the Borrower under the Loan Agreement and from the other sources specified or referred to in the Note Issuance Agreement, which shall be specifically assigned and pledged to such purposes in the manner and to the extent provided therein. The Notes and all other obligations of the Authority in connection therewith shall not be a debt of the City or any other city, village, incorporated town or county, the State of Illinois or any political subdivision thereof and neither the City, nor any other city, village, incorporated town or county, nor the State of Illinois or any political subdivision thereof shall be liable thereon, nor in any event shall the Notes or such obligations be payable out of any funds or properties other than those pledged under the Note Issuance Agreement or those other agreements specifically securing the Notes. The Notes shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Section 4. The forms of the Notes set forth in the Note Issuance Agreement, subject to appropriate insertions and revisions in order to comply with the provisions of the Note Issuance Agreement (as executed) be, and the same hereby are approved. The Notes shall be executed in the name, for and on behalf of the Authority with the manual or facsimile signature of its Chairman or Chief Executive Officer or his designee (or such other officer authorized by law to execute the Notes on behalf of the Authority) and attested with the manual or facsimile signature of its Secretary or Assistant Secretary (or such other officer authorized by law to execute the Notes on behalf of the Authority) and the seal of the Authority shall be impressed or imprinted thereon. The officers of the Authority shall cause the Notes, as so executed and attested, to be delivered to the Fiscal Agent for authentication. When the Notes shall be executed on behalf of the Authority in the manner contemplated by the Note Issuance Agreement and this Resolution, they shall represent the approved forms of Notes of the Authority.

Section 5. The sale of the Notes to the Note Purchaser at a purchase price of not less than 98% of the aggregate principal amount thereof plus accrued interest, if any, to the date of delivery, is hereby approved.

Section 6. The Chairman, Chief Executive Officer or his designee, Chief Financial Officer, and the Custodian and Keeper of Records/Secretary, Board of Commissioners be, and each of them hereby is, authorized to execute and deliver such documents, certificates, and undertakings of the Authority (including, without limitation, environmental remediation agreements, investment agreements, book-entry registration agreements, intercreditor agreements and other agreements pertaining to the security of the Notes) and to take such other actions as may be required or desirable in connection with the execution, delivery and performance of the Authority Agreements, the financing of costs of the Project, the Capital Funds and the issuance, sale and delivery of the Notes. In addition, subsequent to the issuance of the Notes, any of the foregoing officers of the Authority are hereby authorized to enter

into amendments to the Authority Agreements or other agreements or instruments entered into by the Authority in connection with the Notes (without the necessity of obtaining approval by the Board of Commissioners of the Authority to such action) which are not inconsistent with the parameters set forth in this Resolution and which, in the judgment of the officers executing the same, are not materially adverse to the interests of the Authority.

Section 7. All acts of the officers, employees and agents of the Authority that are in conformity with the purposes and intent of this Resolution be, and the same hereby are, in all respects, approved and confirmed.

Section 8. The publication on behalf of the Authority of the notice of public hearing pursuant to Section 147(f) of the Code and the conduct of such public hearing by and on behalf of the Authority with respect to the issuance of the Notes is hereby ratified, authorized and approved.

Section 9. The Authority hereby allocates to the Notes the “volume cap” reallocated or to be reallocated by the City to the Authority in an amount equal to the aggregate principal amount of the Notes actually to be issued.

Section 10. The Authority reasonably expects (based upon information supplied by the Borrower, upon which it is reasonable and prudent for the Authority to rely) to reimburse the Expenditures with proceeds of the Notes.

Section 11. The Notes, or any one or more series thereof, may be, but are not required to be, initially issued in book-entry form and registered in the name of The Depository Trust Company, New York, New York (“DTC”), or its nominee, as securities depository.

Section 12. The provisions of this Resolution are hereby declared to be separable and if any section, phrase or provision hereof shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions of this Resolution.

Section 13. All resolutions and orders, or parts thereof, in conflict herewith are hereby superseded to the extent of such conflict.

Section 14. This Resolution shall be in full force and effect immediately upon its passage, as by law provided.

